

SERVICE QUALITY PLAN

BLACKSTONE GAS COMPANY

On July 30, 2001 Blackstone Gas Company ("Company") filed with the Department of Telecommunications and Energy ("Department") a request for a waiver or exemption from the Customer Service and Billing Performance Measure until such time that it has collected or otherwise compiled three years worth of data and statistics; (2) an exemption from a certain 20-second Telephone Answering Rate Measure until after three years from the time that it installs a telephone system capable of recording the required information; and (3) a waiver of a certain Safety Performance Measure—the Lost Work-Time Accident Rate Measure—on the basis that such a measure cannot validly be applied to Blackstone in light of its small workforce size.

The Department issued a Memorandum to interested persons seeking written comments by August 15, 2001 on the Blackstone filing. Timely comments were filed by the Attorney General ("AG"), Utility Workers Union of America ("UWUA") and Fitchburg Gas and Electric Light Company ("FG&E"). Untimely comments were filed on August 27, 2001 by the Division of Energy Resources ("DOER").

Blackstone has reviewed the comments of all commentors and reviewed its available records of service quality in preparation for filing this Modified Plan. Blackstone continues to have several issues regarding benchmarking of service quality measures and the calculation of reliable and relevant standard deviation measures because of the unavailability of three years data for some measures and because a standard deviation cannot be calculated where historical data has resulted in a perfect record in other measures. Blackstone will review its plans with each measure below.

I. Customer Service and Billing Performance Measures

A. Telephone Service Factor

Blackstone does not currently have telephone equipment capable of measuring telephone response time. Thus, there is no data from which to calculate a benchmark from company-specific information. It will take at least three years for Blackstone to have the minimum of three calendar years of historical data after it has acquired, through purchase or lease, telephone equipment capable of measuring telephone response-time. The Department's Guidelines require a minimum of three years of actual data to create a valid benchmark measure.

Blackstone has inquired about the cost to purchase telephone equipment that can measure response-time. Blackstone has received a quote for such equipment of approximately \$5,844.75. A copy of this quote is attached as Attachment A.

Blackstone does not believe there is a need for this equipment which will introduce an impersonal machine between the customer and the Company, as it currently answers its two telephone lines within three (3) rings during business hours with an actual employee. After business hours an answering service answers the phone and relays all emergency calls to the employee on emergency duty. Blackstone is willing to purchase or lease telephone equipment capable of measuring response-time provided it is allowed to recover the amortization or lease payments for such equipment through its LDAC charge. Nevertheless, Blackstone does not have three year historical data with which to create a benchmark standard deviation. Blackstone has no experience with a measured telephone system and cannot estimate what the results will be. Blackstone is aware that Boston Gas Company has a 40 second telephone service factor and responds to 81.37% of its calls within that period and would consider such a benchmark pending collection of three years of actual data.

B. Service Appointments Met as Scheduled

Blackstone has reviewed its service order data for the last three years and has determined that it has met 100% of its scheduled service appointments in each and every month or has contacted the customer and advised him/her that it must reschedule an appointment if a problem arises and the service technician is unable to complete the service call within four hours of the scheduled time. This perfect service record is due to the emphasis by Blackstone on customer service and its small size and compact service territory. With a perfect record in each month its benchmark would be 100% and the standard deviation would be zero. It would be unfair and unreasonable to apply a penalty to Blackstone if it ever deviates from perfection in the future.

Blackstone would consider a benchmark for service appointments met as scheduled from the average of the other Massachusetts utilities and/or use of a 95% benchmark. This is the same standard applied to Boston Gas Company. The penalty factor should be applied for each 1% deviation from the benchmark as provided for Odor Calls in the Guidelines.

C. On-Cycle Meter Readings

Blackstone has reviewed its billing records for the last three calendar years to determine how many customer bills have been actually read on a monthly basis and how many have been estimated. This data is attached as Attachment B. Blackstone will be able to calculate a benchmark and a standard deviation from this information.

II. Customer Satisfaction Measures

A. Consumer Division Cases

Blackstone has contacted Mr. Jimmy Cypher from the Consumer Division and determined the following level of customer complaints in the last three and one-half years:

1998 – No Complaints.

1999 – One complaint regarding a credit issue – (customer non-payment).

2000 – Two complaints regarding credit issues.

2001 – Two complaints – one regarding a credit issue and one regarding denial of service.

B. Billing Adjustments

Blackstone does not believe that there have been any residential billing adjustments in the past three and one-half years.

Blackstone requests a company-specific meeting with the Consumer Division to discuss Company performance. Based on the information known to the Company, at this time, there does not appear to be a valid Company-specific customer satisfaction benchmark to utilize for Blackstone. Because of the small size of the Blackstone customer base, one complaint or one adjustment can skew the figures and create an unreasonable penalty situation for the Company.

With these small or non-existent complaints and bill adjustments the benchmark applied to Boston Gas Company of less than 110% of the last three years cases or billing adjustment does not result in a fair or meaningful standard.

C. Consumer Surveys

Commencing in calendar year 2002 Blackstone will conduct the two residential surveys contemplated in the Guidelines. To reduce costs Blackstone intends to conduct the survey internally and will mail the customer satisfaction questions as outlined in the Guidelines to a sample of its residential customers randomly selected and report the results to the Department.

III. Staff-Level Benchmarking

The Company has a total of approximately 6-8 full-time equivalent employees. The staffing level depends on the level of construction and use of outside contractors. The Company does not have a collective bargaining agreement.

IV. Reliability and Safety Performance Measure Response to Odor Calls

A. Blackstone will comply with the 95 percent response time of one hour or less to class I and Class II Odor Calls.

B. Lost Work Time Accident Rate

Since Blackstone has fewer than 10 employees, it is not required to keep injury and illness records because of the exemption in 29 CFR 1904.1-5. This regulation was promulgated to reduce the burden on employers after findings of relatively low levels of hazard in small establishments.

Since the current management acquired the Company in 1986 there is no evidence that any employee time has been lost due to work related injury or illness. With this perfect record the benchmark would be zero and the standard deviation would be zero. It would

be unfair and unreasonable to penalize the Company if it ever deviates from its perfect work record in the future.

Recent data for 1999 from the Bureau of Labor Statistics indicates that national incidence of occupational injuries and illness is 6.3 employees out of every 100 employees. Since Blackstone has only employees 6-8 employees, use of such a standard would be violated if the Company sustained a single employee injury or illness in any year. Clearly, one random injury or illness after more than 10 years of without an injury or illness should not subject the Company to a penalty.¹ The very small number of employees makes a mathematical benchmark standard unworkable for the Company.

¹ The application of Boston Gas Company SQI for Employee Safety is unworkable for Blackstone. In the recent filing by Boston Gas Company on September 17, 2001 in Attachment 4, p. the target for incidents of Work Injury and Illness was reported from industry reports at 1.84. The actual incidents for Boston Gas was calculated by taking the number of injuries or illnesses reported on the OSHA 200 LOG multiplied by 200,000 divided by the number of hours worked. If this formula is applied to Blackstone a single injury or illness in any year results in an Incidence Rate of more than 10.0 which is far in excess of the industry target.